The Fund Prospectus

The information provided in different prospectuses is very similar, although the presentation of items may vary.

Start by checking the *Objectives and Policies* of the fund to see if they are compatible with your investment goals. The investment techniques used by the fund will give you an idea of the level of risk.

Next, check the minimum investment required. Sections on *How to Purchase Shares* and *How to Redeem Shares* will describe the various sales and redemption charges, if any.

In addition, the section dealing with the *Management Record* of the fund should be studied carefully. Past performance records can give you an idea of the fund's consistency, although this, of course, is no guarantee of similar performance in the future.

Special programs, such as Individual Retirement Accounts (IRAs), fund switching within a family, and automatic contributions deducted from your checking account, will be handled in separate sections.

Most funds identify their holdings, including amounts and market values, in their financial report, which also features their *Statement of Assets and Liabilities*, *Statement of Changes in Net Assets*, *Statement of Operations,* and a calculation of their *Net Asset Value*.

Should You Invest in Mutual Funds?

Investment decisions require weighing many factors. Before you invest in a mutual fund, you should seriously review your tolerance for risk and reward, your current financial position, and your goals for your financial future. Unlike passbook accounts and certificates of deposit (CDs), mutual funds are subject to market volatility and do not guarantee your investment principal.

There are literally thousands of mutual fund choices available to today's investor, ranging from conservative to aggressive. Mutual funds offer the *potential* for more than a modest return. Because of the associated risk and volatility, mutual fund investors should be committed to their investments over a longer time horizon.

Five Reasons to Consider Investing in Mutual Funds

1. You are creating an investment strategy.

2. You want the potential to earn more than a fixed return.

3. You want to diversify your investments.

4. You have long-term financial goals.

5. You understand your own tolerance for risk and reward.

Mutual funds can serve as the building blocks of a diversified portfolio. They lend themselves quite easily to small or large systematic investment strategies, which can help maximize your portfolio performance. As with any investment strategy, it is important to always maintain an emergency fund in a conservative investment to help cover unexpected financial needs.

Mutual funds are used by millions of people to reach their financial goals. Before you invest, educate yourself about your own investment preferences, discuss your individual situation and goals with your financial professional, and carefully review mutual fund prospectuses to decide how to get the most from your financial portfolio.

Mutual Fund Investing

Guidelines for Choosing Funds

mutual funds are a very popular investment vehicle, due to the variety of benefits they provide. A mutual fund may help you reach your individual financial goals with the following:

1. **Professional Fund Management** means that full-time managers — with substantial investment experience — watch over fund portfolios and make all the decisions regarding which securities to buy, sell, or hold, thereby freeing the individual investor from the emotional involvement and associated risks of "playing the market."

2. **Diversification of Holdings** allows even the small investor to own a portfolio spread over numerous industries and/or company stocks, which can help to possibly minimize the risk associated with the variability typically found in individual stock prices and returns.

3. **Liquidity and Accessibility** benefit the investor who needs to be able to access funds for short-term cash needs or emergencies. Fund shares are readily redeemable on any business day at current (or "net asset") value.

4. **Freedom from "Housekeeping"** permits the individual investor to avoid many of the transactional details (e.g., warrants, rights to sell, etc.) of individual stock ownership, as well as the tax complications associated with buying and selling on an individual basis.

5. **Transactional Cost Savings** result from spreading the expenses of buying and selling individual stocks and/or bonds among a large group of investors, rather than one investor shouldering all the expenses of many individual transactions.

Types of Mutual Funds

The variety of mutual funds available allows investors with virtually any type of investment need and any level of risk tolerance to participate in the market. Investors should be aware that the investment return and principal value of mutual funds will fluctuate due to market conditions so that an investor's shares, when redeemed, may be worth more or less than their original cost. Here is a look at fund types, arranged in order of "high" risk to "low" risk:

Aggressive Growth Funds generally invest in smaller, newer companies with rapid growth potential, existing growth companies traded on the over-the-counter (OTC) stock market, or companies or industries that are "out of favor" but may be either undervalued or overlooked. There may be little current income; these funds aim for maximum long-term capital appreciation instead.

Sector Funds limit investment to a specific industry or economic sector, such as biotech, high tech, or health care. They are typically high risk because they offer little or no diversification. If a particular industry is doing well, large profits may follow. On the down side, investors can experience losses.

International Funds invest exclusively in foreign (non-U.S.) stocks and bonds; they may experience currency risk associated with the rise and fall of the dollar against the value of other major currencies.

Global Funds invest primarily in companies and economies outside the U.S., but they include some U.S. firms to provide more diversity.

Growth Funds seek long-term capital appreciation like aggressive growth funds, but they invest in well-seasoned companies that may pay current dividends. Current income remains a secondary consideration; gains from rises in stock are their primary goal.

Index Funds invest only in securities that make up a particular index (e.g., the S&P 500 or Dow Jones Industrials) to match index performance as closely as possible.

Growth and Income Funds invest in well-seasoned blue chip companies with a track record of paying dividends. Somewhat less risky than their growth-oriented cousins, there remains no guarantee that dividends will continue to be paid.

Balanced Funds focus on preservation of principal by investing in mixed portfolios with set percentages of common stocks, preferred stocks, and bonds. Investors hope to receive a current income stream from high-yielding equities and fixed income securities.

Income Funds seek a high level of current income from common stocks that pay high dividends, as well as from government and corporate bonds, with an emphasis on senior securities and utility stocks. While less volatile than the stock market, income funds are more sensitive to interest rate changes.

Bond Funds may invest in corporate or tax-exempt bonds, long-term bonds, or intermediate or short-term notes, and they seek either high levels of income or income plus principal stability, depending on bond quality and maturity. There is some price risk involved as bond prices move in the opposite direction of interest rates: rising rates, falling bond prices; falling rates, rising bond prices.

Money Market Funds invest in short-term money market instruments, such as Treasury bills, certificates of deposit, and commercial paper. Price volatility is low, but yields also remain low.

Investing Options

The size of your investment is completely up to you, as long as you meet the minimum required by the fund you choose. Once you have begun, it is wise to continue in a regular investment program. The following techniques provide both consistency and ease of investment.

Reinvestment of Dividends is one of the simplest ways to allow your investment to grow. A check mark and signature on most fund applications will allow the fund management to leave the dividends untouched, simply reporting to you quarterly on how much was reinvested plus any increase (or decrease) in the value of your fund shares. The fund will also provide you with "deposit" slips to make further investments at your convenience.

Dollar Cost Averaging* is the investment of a set dollar amount at set intervals that takes advantage of highs and lows in market prices to accumulate fund shares over the long term at an average price. This method allows purchases of modest amounts on a regular basis, which may result in a favorable cost basis over a long period of time. Remember, profits and protection against loss due to declining markets are not guaranteed. There is also no guarantee that dollar cost averaging will result in a lower cost per share.

Example: Investing $100 per month for three months might buy 40 shares at an average share cost of $7.50, while the actual average share price for the same period may be $8.33, resulting in an average savings of $.83 per share for a total of $33.20.

Period	Regular Investment	Avg. Share Price/Pd.	Number of Shares Acquired
1	$100	$10	10
2	100	5	20
3	100	10	10
	$300	$25	40
Average share cost: $7.50 ($300/40)			
Average share price: $8.33 ($25/3)			

Whatever investment method you choose, the importance of making regular deposits cannot be stressed enough.

**Periodic investment plans such as dollar cost averaging involve continuous investment in securities, regardless of fluctuating price levels of such securities. An investor should consider his or her financial ability to continue purchases through periods of low price levels.*